

**ASSEMBLY BILL**

**No. 577**

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**Introduced by Assembly Member Bonilla**

February 24, 2015

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An act to amend Section 399.20 of the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 577, as introduced, Bonilla. Public utilities: biogas.

Under the Public Utilities Act, electrical corporations are required to file with the Public Utilities Commission a standard tariff for electricity purchased from certain electric generation facilities. The act requires the commission to direct the electrical corporations to collectively purchase 250 megawatts of cumulative rated generating capacity from developers of bioenergy projects. The act requires the commission to encourage electrical and gas corporations to develop and offer programs and services to facilitate development of in-state biogas for a broad range of purposes.

This bill would limit that range of purposes to 3 specified purposes.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 399.20 of the Public Utilities Code is
- 2 amended to read:
- 3 399.20. (a) It is the policy of this state and the intent of the
- 4 Legislature to encourage electrical generation from eligible
- 5 renewable energy resources.

1 (b) As used in this section, “electric generation facility” means  
2 an electric generation facility located within the service territory  
3 of, and developed to sell electricity to, an electrical corporation  
4 that meets all of the following criteria:

5 (1) Has an effective capacity of not more than three megawatts.

6 (2) Is interconnected and operates in parallel with the electrical  
7 transmission and distribution grid.

8 (3) Is strategically located and interconnected to the electrical  
9 transmission and distribution grid in a manner that optimizes the  
10 deliverability of electricity generated at the facility to load centers.

11 (4) Is an eligible renewable energy resource.

12 (c) Every electrical corporation shall file with the commission  
13 a standard tariff for electricity purchased from an electric  
14 generation facility. The commission may modify or adjust the  
15 requirements of this section for any electrical corporation with less  
16 than 100,000 service connections, as individual circumstances  
17 merit.

18 (d) (1) The tariff shall provide for payment for every  
19 kilowatthour of electricity purchased from an electric generation  
20 facility for a period of 10, 15, or 20 years, as authorized by the  
21 commission. The payment shall be the market price determined  
22 by the commission pursuant to paragraph (2) and shall include all  
23 current and anticipated environmental compliance costs, including,  
24 but not limited to, mitigation of emissions of greenhouse gases  
25 and air pollution offsets associated with the operation of new  
26 generating facilities in the local air pollution control or air quality  
27 management district where the electric generation facility is  
28 located.

29 (2) The commission shall establish a methodology to determine  
30 the market price of electricity for terms corresponding to the length  
31 of contracts with an electric generation facility, in consideration  
32 of the following:

33 (A) The long-term market price of electricity for fixed price  
34 contracts, determined pursuant to an electrical corporation’s general  
35 procurement activities as authorized by the commission.

36 (B) The long-term ownership, operating, and fixed-price fuel  
37 costs associated with fixed-price electricity from new generating  
38 facilities.

39 (C) The value of different electricity products including  
40 baseload, peaking, and as-available electricity.

1 (3) The commission may adjust the payment rate to reflect the  
2 value of every kilowatthour of electricity generated on a  
3 time-of-delivery basis.

4 (4) The commission shall ensure, with respect to rates and  
5 charges, that ratepayers that do not receive service pursuant to the  
6 tariff are indifferent to whether a ratepayer with an electric  
7 generation facility receives service pursuant to the tariff.

8 (e) An electrical corporation shall provide expedited  
9 interconnection procedures to an electric generation facility located  
10 on a distribution circuit that generates electricity at a time and in  
11 a manner so as to offset the peak demand on the distribution circuit,  
12 if the electrical corporation determines that the electric generation  
13 facility will not adversely affect the distribution grid. The  
14 commission shall consider and may establish a value for an electric  
15 generation facility located on a distribution circuit that generates  
16 electricity at a time and in a manner so as to offset the peak demand  
17 on the distribution circuit.

18 (f) (1) An electrical corporation shall make the tariff available  
19 to the owner or operator of an electric generation facility within  
20 the service territory of the electrical corporation, upon request, on  
21 a first-come-first-served basis, until the electrical corporation meets  
22 its proportionate share of a statewide cap of 750 megawatts  
23 cumulative rated generation capacity served under this section and  
24 Section 387.6. 399.32. The proportionate share shall be calculated  
25 based on the ratio of the electrical corporation's peak demand  
26 compared to the total statewide peak demand.

27 (2) By June 1, 2013, the commission shall, in addition to the  
28 750 megawatts identified in paragraph (1), direct the electrical  
29 corporations to collectively procure at least 250 megawatts of  
30 cumulative rated generating capacity from developers of bioenergy  
31 projects that commence operation on or after June 1, 2013. The  
32 commission shall, for each electrical corporation, allocate shares  
33 of the additional 250 megawatts based on the ratio of each electrical  
34 corporation's peak demand compared to the total statewide peak  
35 demand. In implementing this paragraph, the commission shall do  
36 all of the following:

37 (A) Allocate the 250 megawatts identified in this paragraph  
38 among the electrical corporations based on the following  
39 categories:

1 (i) For biogas from wastewater treatment, municipal organic  
2 waste diversion, food processing, and codigestion, 110 megawatts.

3 (ii) For dairy and other agricultural bioenergy, 90 megawatts.

4 (iii) For bioenergy using byproducts of sustainable forest  
5 management, 50 megawatts. Allocations under this category shall  
6 be determined based on the proportion of bioenergy that sustainable  
7 forest management providers derive from sustainable forest  
8 management in fire threat treatment areas, as designated by the  
9 Department of Forestry and Fire Protection.

10 (B) Direct the electrical corporations to develop standard  
11 contract terms and conditions that reflect the operational  
12 characteristics of the projects, and to provide a streamlined  
13 contracting process.

14 (C) Coordinate, to the maximum extent feasible, any incentive  
15 or subsidy programs for bioenergy with the agencies listed in  
16 subparagraph (A) of paragraph (3) in order to provide maximum  
17 benefits to ratepayers and to ensure that incentives are used to  
18 reduce contract prices.

19 (D) The commission shall encourage gas and electrical  
20 corporations to develop and offer programs and services to facilitate  
21 development of in-state biogas ~~for a broad range of purposes.~~  
22 *purposes of encouraging the diversion of landfill waste, the*  
23 *development of ultralow carbon transportation fuel, and the*  
24 *generation of electricity through bioenergy resources.*

25 (3) (A) The commission, in consultation with the State Energy  
26 Resources Conservation and Development Commission, the State  
27 Air Resources Board, the Department of Forestry and Fire  
28 Protection, the Department of Food and Agriculture, and the  
29 Department of Resources Recycling and Recovery, may review  
30 the allocations of the 250 additional megawatts identified in  
31 paragraph (2) to determine if those allocations are appropriate.

32 (B) If the commission finds that the allocations of the 250  
33 additional megawatts identified in paragraph (2) are not  
34 appropriate, the commission may reallocate the 250 megawatts  
35 among the categories established in subparagraph (A) of paragraph  
36 (2).

37 (4) For the purposes of this subdivision, “bioenergy” means  
38 biogas and biomass.

1 (g) The electrical corporation may make the terms of the tariff  
2 available to owners and operators of an electric generation facility  
3 in the form of a standard contract subject to commission approval.

4 (h) Every kilowatthour of electricity purchased from an electric  
5 generation facility shall count toward meeting the electrical  
6 corporation's renewables portfolio standard annual procurement  
7 targets for purposes of paragraph (1) of subdivision (b) of Section  
8 399.15.

9 (i) The physical generating capacity of an electric generation  
10 facility shall count toward the electrical corporation's resource  
11 adequacy requirement for purposes of Section 380.

12 (j) (1) The commission shall establish performance standards  
13 for any electric generation facility that has a capacity greater than  
14 one megawatt to ensure that those facilities are constructed,  
15 operated, and maintained to generate the expected annual net  
16 production of electricity and do not impact system reliability.

17 (2) The commission may reduce the three megawatt capacity  
18 limitation of paragraph (1) of subdivision (b) if the commission  
19 finds that a reduced capacity limitation is necessary to maintain  
20 system reliability within that electrical corporation's service  
21 territory.

22 (k) (1) Any owner or operator of an electric generation facility  
23 that received ratepayer-funded incentives in accordance with  
24 Section 379.6 of this code, or with Section 25782 of the Public  
25 Resources Code, and participated in a net metering program  
26 pursuant to Sections ~~2827, 2827.9, 2827 and 2827.10~~ of this code  
27 prior to January 1, 2010, shall be eligible for a tariff or standard  
28 contract filed by an electrical corporation pursuant to this section.

29 (2) In establishing the tariffs or standard contracts pursuant to  
30 this section, the commission shall consider ratepayer-funded  
31 incentive payments previously received by the generation facility  
32 pursuant to Section 379.6 of this code or Section 25782 of the  
33 Public Resources Code. The commission shall require  
34 reimbursement of any funds received from these incentive  
35 programs to an electric generation facility, in order for that facility  
36 to be eligible for a tariff or standard contract filed by an electrical  
37 corporation pursuant to this section, unless the commission  
38 determines ratepayers have received sufficient value from the  
39 incentives provided to the facility based on how long the project

1 has been in operation and the amount of renewable electricity  
2 previously generated by the facility.

3 (3) A customer that receives service under a tariff or contract  
4 approved by the commission pursuant to this section is not eligible  
5 to participate in any net metering program.

6 (l) An owner or operator of an electric generation facility  
7 electing to receive service under a tariff or contract approved by  
8 the commission shall continue to receive service under the tariff  
9 or contract until either of the following occurs:

10 (1) The owner or operator of an electric generation facility no  
11 longer meets the eligibility requirements for receiving service  
12 pursuant to the tariff or contract.

13 (2) The period of service established by the commission pursuant  
14 to subdivision (d) is completed.

15 (m) Within 10 days of receipt of a request for a tariff pursuant  
16 to this section from an owner or operator of an electric generation  
17 facility, the electrical corporation that receives the request shall  
18 post a copy of the request on its Internet Web site. The information  
19 posted on the Internet Web site shall include the name of the city  
20 in which the facility is located, but information that is proprietary  
21 and confidential, including, but not limited to, address information  
22 beyond the name of the city in which the facility is located, shall  
23 be redacted.

24 (n) An electrical corporation may deny a tariff request pursuant  
25 to this section if the electrical corporation makes any of the  
26 following findings:

27 (1) The electric generation facility does not meet the  
28 requirements of this section.

29 (2) The transmission or distribution grid that would serve as the  
30 point of interconnection is inadequate.

31 (3) The electric generation facility does not meet all applicable  
32 state and local laws and building standards and utility  
33 interconnection requirements.

34 (4) The aggregate of all electric generating facilities on a  
35 distribution circuit would adversely impact utility operation and  
36 load restoration efforts of the distribution system.

37 (o) Upon receiving a notice of denial from an electrical  
38 corporation, the owner or operator of the electric generation facility  
39 denied a tariff pursuant to this section shall have the right to appeal  
40 that decision to the commission.

1 (p) In order to ensure the safety and reliability of electric  
2 generation facilities, the owner of an electric generation facility  
3 receiving a tariff pursuant to this section shall provide an inspection  
4 and maintenance report to the electrical corporation at least once  
5 every other year. The inspection and maintenance report shall be  
6 prepared at the owner's or operator's expense by a  
7 California-licensed contractor who is not the owner or operator of  
8 the electric generation facility. A California-licensed electrician  
9 shall perform the inspection of the electrical portion of the  
10 generation facility.

11 (q) The contract between the electric generation facility  
12 receiving the tariff and the electrical corporation shall contain  
13 provisions that ensure that construction of the electric generating  
14 facility complies with all applicable state and local laws and  
15 building standards, and utility interconnection requirements.

16 (r) (1) All construction and installation of facilities of the  
17 electrical corporation, including at the point of the output meter  
18 or at the transmission or distribution grid, shall be performed only  
19 by that electrical corporation.

20 (2) All interconnection facilities installed on the electrical  
21 corporation's side of the transfer point for electricity between the  
22 electrical corporation and the electrical conductors of the electric  
23 generation facility shall be owned, operated, and maintained only  
24 by the electrical corporation. The ownership, installation, operation,  
25 reading, and testing of revenue metering equipment for electric  
26 generating facilities shall only be performed by the electrical  
27 corporation.